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Office of the Secretary
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STATEMENT OF THE HONORABLE
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DEPUTY SECRETARY OF TRANSPORTATION
BEFORE THE
SUBCOMMITTEE ON AVIATION,
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION,
UNITED STATES HOUSE OF REPRESENTATIVES
REGARDING
AIRPORT AND AIRWAY LEGISLATION
APRIL 2, 1981

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before you this morning to present the Administration's views on airport and airway legislation.

We have a vital interest in this legislation, Mr. Chairman. The bill we have proposed would authorize the funds needed to ensure the development, operation and maintenance of a safe airport and airway system -- and it would do a lot more. Our legislation calls for significant changes from past practices to further the President's goals of reducing the tax burden on the general public and allowing more decisions to be made at the State and local level.

These goals are tremendously important to us and, before discussing the issues in greater detail, I would like to take a moment to outline the general thrust of our bill and how we would further the President's program through this legislation.

The President's program for economic recovery depends heavily upon a combination of significant cuts in both spending and income taxes. The funding and user tax provisions of our airport and airway proposal are very much a part of that program. We have proposed funding at levels we believe are necessary and appropriate, and we have proposed tax relief for the general taxpayers by recommending that airport and airway system users pay for the FAA services they receive.

These proposals are fully representative of the thrust of the President's program; they raise the issues that are at the heart of the national dialogue on Federal budgetary policy. In brief, it is our view that while the funding issues and other questions we are facing today must be considered on their own merits, they cannot be considered outside the context of the larger national debate on the Federal budget.

I might add, Mr. Chairman, that we appreciate your sensitivity to this point and are aware that the capital funding levels you have proposed in your bill are lower than those you supported in the 96th Congress. However, as I will describe shortly, we strongly support the even lower funding levels which we have proposed.

We also share the President's commitment to streamlining Federal programs and letting State and local governments play a larger role in our Federal system. Our proposal to restructure the airport grant program would give a new decisionmaking role to States with regard to funding for small airports, and we have tried to ease the paperwork burden associated with Federal grants.

In brief, we think we have developed a package that responds to the needs of the times and we look forward to working with the Congress to see these proposals enacted.

Now, let me turn to the most important issues facing us in the development of airport and airway legislation.

Relief for General Taxpayers

One of the most critical items on the President's legislative agenda is the need to provide relief to the overburdened general taxpayer. One of the ways that the general tax burden has built up over the years is that Federal programs have been structured to provide very significant financing out of the General Fund of the Treasury for the benefit of very particular segments of the population.

We all know the consequences of this pattern. When people who benefit from particular government services do not pay for those services, the general taxpayer has to pick up the tab. This subsidy of particular groups is contrary to the President's efforts to relieve the general tax burden, and in this legislation, Mr. Chairman, we have the opportunity to take bold and necessary action on behalf of the general taxpayer by requiring aviation system users to foot the bill for aviation services provided to them.

There are two aspects of our legislative proposal to ease the general tax burden. First, we would significantly increase the extent to which costs incurred by the FAA are paid from the Airport and Airway Trust Fund, which is supported by system users, and we would decrease the amount of FAA costs funded from the General Fund of the Treasury to a level reflecting the use of the national aviation system by military and other public aircraft. Services provided to public aircraft, such as military and weather planes, provide clear benefits to the general public. However, we believe that FAA costs which are not allocable to these public service flights are properly charged to civilian users of the airport and airway system, who receive direct benefits from, and depend upon, FAA services.

I might add, Mr. Chairman, that the "user pays" concept is one that the Administration is applying to other programs, and it is one of the fundamental principles applied by the President in developing his budget.

The other major part of our program to ensure that system users pay their fair share for FAA services is our proposal to restructure aviation user taxes. Specifically, we would gradually, but significantly, increase the fuel taxes on noncommercial aviation, which has been paying for only a

very small portion of the costs of FAA services provided to that sector. Also, so that our taxing structure would reflect the very real differences between different sectors of the general aviation community, we would tax jet fuel at a higher rate than aviation gasoline. Planes using jet fuel tend to be equipped with more avionics, and generally make greater demands on the national airspace system than other noncommercial aircraft.

While I recognize that this Committee does not have jurisdiction over taxes, I nevertheless request your support for this important aspect of our proposal. We are aware that your bill, Mr. Chairman, H.R. 2643, would fund a greater share of FAA operation and maintenance costs from the Trust Fund than has occurred in the past, and we commend you for that. However, now is the time for even more significant change on behalf of the general taxpayer, and we ask your support for our proposals.

Meeting Capital Needs

As Secretary Lewis noted in his letter transmitting our proposal to the Congress, the safety of the aviation system is a top priority for the Department. Our legislative proposal would back up that commitment by authorizing increased funding for our facilities and equipment programs and our research and development efforts.

We believe our proposed authorizations of \$2.57 billion for facilities and equipment for fiscal years 1981-1986 will provide for a safe and effective air traffic control system. I recognize that your bill, Mr. Chairman, proposes higher authorizations for facilities and equipment, but, at this time, we oppose higher funding for a number of reasons.

The first is that we have already given deferential treatment to authorizations for facilities and equipment in our proposal. The amount we would authorize for the first five years of our bill is nearly double what was authorized over the past five years. This is one of the relatively few programs in government which we would increase rather than reduce; and it is one of very, very few that would be increased so significantly. Thus, the key point is that we agree that funding levels for capital investment must be higher than they were in the past. We are confident that what we propose can be well spent, but we feel strongly that we must be fiscally prudent.

We have started a comprehensive review of FAA's long range plans and proposed new major system acquisitions for air traffic control. Our new Administrator will be heavily involved in that process. Most of these proposals are in the research and development stages. Our beginning philosophy is that we must intensify efforts to assure that all expenditures contribute to a coordinated, consolidated system of future development. An effort will be made to define the future shape of the air traffic control system and the most efficient and effective method of reaching that configuration. We believe that all parts of this future system must be economically justified and should fit together to provide efficient performance.

A significant determinant in our analysis of capital needs will be the impact that both new investment and regulation will have on industry. Where new investment or regulations would allow growth and more profitable operations, we will be the first to recommend those actions. Where they have either no impact or reduce profitability, we will consider them only if special circumstances exist.

In general, our basic approach to the capital needs question can be summarized as follows. This Administration is committed to the most careful and effective management of Federal programs possible. In every instance we intend to do more with less, or at least do more with the same amount of money. We are committed to a careful, ongoing review of capital needs and we have recommended significant increases over past funding levels for F&E to meet the needs as we currently see them. Our revenue proposals have also been designed to ensure that funding will be available for any large capital needs that will have to be met in the late 80's. However, we oppose funding levels higher than those we have recommended and will continue to oppose higher levels unless, as a result of our ongoing consideration of the issues, we would find a basis for changing our recommendations. And let me add that we do not intend to review these issues only for the purposes of recommending increases. If we find that decreases are warranted, we would advise the Congress of that as well.

Consistent with this general philosophy, we object to a number of specific provisions that are proposed in your bill, Mr. Chairman. For example, sections 2(a)(4) and 5(c)(1), together, seem to be intended to require runway grooving and installation of landing aids, radar approach service, and lighting at all commercial service airports. Commercial service airports include airports enplaning as few as 2,500 passengers annually, some of which have only two or three scheduled flights a week. We simply do not believe that all of this equipment is necessary at all of these airports. We also object to the provisions which would prevent the FAA from making adjustments in the operation of flight service stations even if such adjustments or closings might be entirely consistent with the level of air traffic activity.

Provisions like these do not allow the FAA to dedicate its resources efficiently and in response to changing priorities. I might add that legislation directing funding for specifically named projects can have the same detrimental effect on the return the taxpayer gets on public expenditures. We believe that the FAA's criteria for the establishment of facilities and equipment are appropriate and prefer them to the directives contained in H.R. 2643.

We also object to the provision require a National Airway System Plan in 90 days. The FAA already undertakes long range planning pursuant to the directives of the Federal Aviation Act and, to the extent that the Committee requires further information in this area, we would be pleased to provide appropriate materials.

Lastly, we believe that planning for our capital program efforts would be enhanced by a Trust Fund authorization for research, engineering and development for longer than the two year period called for in H.R. 2643.

Airport Programs

Let me turn now to issues regarding our proposal to reauthorize and restructure the airport grant program, beginning with defederalization.

Defederalization of Airports

Any discussion of defederalization must begin with the simple fact that, at this very moment, not one airport sponsor is able to receive assistance from the Department for airport development or planning. The

question then arises, should the program be reestablished and, if so, in what form.

In reviewing all Federal programs, one of the principles that the Administration has adhered to is that Federal assistance should not be provided unless there is a clear need. Recognizing that there are many who require assistance, and recognizing the many demands on the Federal dollar, the President has taken the firm position that funds will not be made available when need is not clear and when there are alternatives to Federal assistance.

We have considered the finances of airports from this standpoint and have concluded that the vast majority of airports which were eligible for assistance under the expired program should continue to receive assistance for airport development and airport planning. However, we have concluded that the largest airports can do without, and we have structured our legislative proposal accordingly.

Our review indicates that the very largest airports generate sufficient revenue to meet both capital and operating expenses. We are so convinced of the financial strength of the top 21 airports that, under our proposal, the sponsors of those airports would not be eligible for Federal financial assistance for airport development and airport planning. We also believe that the next twenty largest airports generate sufficient revenue to meet all expenses but are not quite as strong financially as the top 21. Thus, under our proposal the next twenty largest airports would have until the end of fiscal year 1982, a two year transition period, before they would become ineligible for assistance. We believe that this total of 41 airports is a reasonable but conservative estimate of the number of large airports

that could meet operating and capital needs without Federal financial assistance.

In response to this proposal, the question that has been raised is "why are we so sure that these airports can do without?" We have reviewed the evidence and found that, as a general rule, Federal airport grants constitute a relatively small percentage of the total revenue of these airports -- approximately 10-15%. Mr. Chairman, other business and government operations are able to tighten their belts and absorb 10 percent cuts. Airports are not so different from other government and business operations that they can't also absorb budget cuts of this size. I do not mean to suggest that such cuts are painless, but some of this reduction in income can undoubtedly be made up simply through internal reprogramming of funds to ensure that priority needs are met.

On a related point, I understand that one analysis has been made which shows that airport grants have represented 38 percent of all capital spending at the 72 largest airports over a recent five-year period. However, we believe that the 10-15 percent figure is more relevant to a determination of an airport's need for Federal assistance. In particular, we believe that good management requires consideration of an organization's overall financial situation. Management must consider the implications of operating requirements on capital budgets and vice-versa. By describing a financial situation solely in terms of capital spending, the possibility of reprogramming some operating funds into capital projects is not recognized. Furthermore, not all of the capital funding projects considered in that analysis were eligible for Federal airport grants. However, it is clear that all of the airport projects that are in any way related to safety,

essentially airfield projects, have been eligible under the Federal program. It seems to us that to the extent that these other capital projects were not eligible for Federal funding, they are not as critical to the Federal interest in the nation's airport system. Thus, there appears to be an opportunity for these airports to reprogram within their capital accounts to assure that the projects which are most important will continue to be funded.

Next, to the extent that this 10-15 percent loss in income cannot be made up through reprogramming, the large airports are not without other resources. For example, most of these airports have contracts with their tenants that are described as "break-even" or "make-whole" agreements. Under these agreements the airports are certain of reimbursement from tenants for capital projects undertaken. We recognize that these contracts also frequently include "majority of interest" clauses, under which a large block of tenants could veto the airport's right to be made whole by tenants for certain projects. However, we believe that in practice, despite majority of interest clauses, these contracts generally put the airport in a strong position to finance reasonable airport improvements.

Airport sponsors have other potential sources of revenue. For example, they can receive financial assistance from their local or State governments and can issue revenue bonds.

Furthermore, our legislative proposal, like yours, Mr. Chairman, would authorize local airport sponsors to impose head taxes. And, let me add, that if a proposed project at a large airport cannot manage to get sufficient funding with all of these possible funding mechanisms available, then I think it unlikely that the project could be considered truly important to even local interests, much less national interests. And, in these times

of fiscal restraint, I don't think it is necessarily a bad thing if a project that is not really important does not get funded.

For the last few minutes I have been describing why we believe these larger airports can do without further Federal assistance. I would like to make a few more points regarding defederalization.

There is a definite relationship between defederalization and funding for smaller airports. Whatever the funding level for airport grants -- and we are committed to funding at \$450 million annually -- to the extent that large airports remain eligible, there will be that much less available for the smaller airports, which have a greater need for Federal assistance.

Defederalization would in no way compromise aviation safety. The FAA would retain all of its direct safety regulatory authority, including its airport safety certification authority.

Furthermore, it is important to keep in mind that passengers flying between defederalized airports would still derive very substantial benefits from the FAA in exchange for the user taxes they would contribute. Those passengers would still benefit from expenditures on F&E, R,E&D and O&M. Airport development is only a small part of the total package of services provided by the FAA to passengers using large airports. Those passengers want the benefits of good air traffic control equipment and personnel, both at airports and en route. Further, passengers using defederalized airports benefit from airport development at smaller airports, particularly from development at reliever airports. The development of reliever airports, which would be emphasized in our bill, can provide substantial benefits to large, defederalized airports, helping reduce delay and congestion.

As a final point related to defederalization, I would like to comment briefly on the head tax issue. Our bill, like yours, Mr. Chairman, proposes a simple lifting of the head tax prohibition for defederalized airports. We have proposed this out of our general respect for the capabilities and judgment of local governments. However, I do want to make clear that we will be available to work closely with the Congress as it considers more detailed head tax proposals that may be suggested.

To sum up on defederalization, the question is whether the need for further funding at large airports is clear, and we are convinced that the large airports cannot make that clear case. To the extent these large airports are Federally funded, there will be less for the smaller airports and we think that the program should be focused where the need is. Lastly, we must recognize the benefits that the FAA will continue to provide to passengers using defederalized airports.

Funding Levels for Airport Grants

Let me turn now to funding levels for airport grants. We firmly believe that \$450 million in Federal funding for airport grants provides a sufficient base for a national airport development program, recognizing the contributions state and local governments can make in this area.

In comparing our funding recommendations to those included in your bill, Mr. Chairman, we should first consider the effect of defederalization. We estimate that, for fiscal year 1981, full formula entitlements plus an allocation of discretionary funds for the top 21 airports would equal approximately \$150 million dollars. For fiscal year 1983, funding for the 41

defederalized airports, at full formula, and including an allocation of discretionary funds, would total approximately \$240 million. As I mentioned a few moments ago, we are satisfied that larger airports will be able to meet development needs without this Federal assistance, and this position explains a large part of the difference between the funding levels in our bills.

There are a number of other factors which contributed to the development of our funding recommendation. In particular, defederalization is not the only aspect of our proposal that has the effect of requiring a greater share of airport development costs to be borne by State and local governments. We have structured our apportionment formula so that airports which remain eligible for assistance will have their full formula apportionment reduced by approximately 10 percent in each year. In these times of fiscal restraint, we think it particularly important that the responsibility of coping within limited funding levels not be placed solely on the shoulders of the large airports.

We have also proposed that the Federal share of project costs be set at "not to exceed 75 percent". Under the expired program and under H.R. 2643, many small airports could receive 90 percent Federal funding for projects. We believe that a 75 percent Federal financing limit will have several desirable effects. It will likely result in more selective screening of projects by local governments. We also believe that this Federal share would not inhibit airport development that is truly needed. It would, however, require local governments to contribute more money each year, approximately \$35-40 million, to airport development. Let me also emphasize the significance of the "not to exceed" approach to the Federal share which

we have proposed. In instances where Federal funds are limited, sponsors or State agencies may be willing to fund a higher share in order to allow a project to proceed, and our proposal would give the FAA the flexibility to respond in those situations.

Not all of the difference in funding is explained by our proposals for stronger local participation in the nation's airport development efforts. Part of the difference is also explained by our general assessment of priority airport development needs. Our proposal would focus significant funding on reliever airports and retain discretionary funds of over \$100 million annually, an amount which we consider sufficient to meet priority needs that might remain unmet after the application of apportionments and local financing. Clearly, not every airport project can be funded pursuant to our bill, but priority needs would be met, and safety would not be compromised.

I think it is also important to note that, looking at the FAA's program as a whole, the airport grant program is the major program where State and local governments join with the FAA in a total effort. By contrast, responsibility for the development, installation, maintenance and operation of the air traffic control system rests almost exclusively with the FAA. Thus, if an airport grant project is not funded by the FAA, there is a real possibility of local financing, which is borne out by historic experience. There is virtually no such possibility in the air traffic control area, and this distinction helps explain why we have recommended increases in F&E but reduced funding for airport grants.

Structure of the Airport Grant Program

Now, I would like to touch on some issues concerning the structure of the airport grant program.

State Role

An important element of our legislative proposal would allow a qualified State to administer airport grants for general aviation and small commercial service airports within that State. This proposal would improve the overall management of airport planning and development funds by allowing decisions on the use of funds at small airports to be made at a more appropriate level of government. When choices must be made between development projects at a number of small airports within a State, we think it appropriate for that decision to be made at the State level if that State has a qualified aviation department capable of administering a program. Our proposal would not add a new level of bureaucracy to the grant process; it would substitute State for Federal administration.

I would also like to stress that our proposal would provide qualifying States with greater freedom than would other State role proposals brought to the attention of Congress in recent years. The Secretary would not have to approve a State's plan for distribution of apportioned funds. Within the general conditions that the bill would impose on a State, including such important conditions as maintaining the local matching share requirement applicable to the rest of the program, that State would be free to make the funding decisions.

Primary Hubs and Reliever Airports

Unlike H.R. 2643, our bill would not establish a "primary hub" grant category. As we understand it, the purpose of the proposal is to stimulate reliever airport development, improve aviation system planning, and improve airport development investment decisions in those major metropolitan areas that are served by a number of airports, both large and small. Clearly these are important goals. However, we believe these goals can be met through other means, without some of the difficulties that we perceive as inherent in the primary hub proposal.

First, we believe that the proposal is inconsistent with defederalization. The primary hub concept is, in our opinion, heavily dependent upon strong involvement of the largest airport in a metropolitan area in an elaborate and continuing process for airport development and planning throughout that metropolitan area. We do not think it appropriate for the Federal Government to require planning by an airport that would be defederalized, nor would it be appropriate to set up a funding category under which eligible airports might not receive funding unless an ineligible airport voluntarily entered the planning process.

Second, the proposed program is not focused narrowly enough on reliever airports, which is the area of real need that the program was intended to address. The primary hub program, as drafted, would also allow larger airports to receive funding under this second entitlement category. We do not think it appropriate, when Federal resources are scarce, for any entitlements to be apportioned for potential use at airports that might have already received an entitlement as a primary airport. Other needs at such airports should be funded from the discretionary category.

Third, we believe that the process that would result from enactment of this proposal would be unnecessarily complex and inconsistent with our efforts to simplify and streamline grant programs. After all, a new category would be created. The FAA would have to promulgate rules to administer this grant category. More importantly, the grant applicants would have to familiarize themselves with these new processes before they could take advantage of the funding that would be made available.

And this new process would be far more complex for recipients than any grant program previously administered by the FAA. Before the FAA could approve grant applications made under this category, the airports comprising a primary hub would have to agree on two sets of documents -- a three year development plan and an annual programming document. Even after these efforts are completed, individual project grant applications made pursuant to those plans would still have to be approved by the FAA before the project could be funded.

Such a complex planning process would undoubtedly take a great deal of time, and we expect that the FAA would probably not be able to put a single dollar of primary hub funds under grant until about a year after enactment of a bill. Some hubs might not be able to complete required planning until much later. At a time like this, when program dollars are scarce, the Federal government has an even greater obligation to deliver those dollars to their intended recipients in a prompt and efficient manner, and we do not feel that the primary hub program meets that objective.

Fourth, it is important to note that, under our proposal, it would be permissible for the sponsors of reliever airports or other airports in an area to jointly apply to the Secretary (or a State) for planning funds. As we

have dedicated a significant minimum percentage of funding under our program to reliever airports, I think that we would certainly be able to approve a number of such applications, should they be filed, as well as later applications for reliever development projects that might be suggested as a result of such planning efforts.

In light of these factors, we believe that the reliever program we have proposed is the better way to assure that system needs for reliever airports are efficiently and effectively met. In fiscal year 1980 only about 4 percent of FAA airport grants were for reliever airports. By proposing to raise that to 10 percent in fiscal years 1981 and 1982, and even higher in later years, we feel that we have taken the step that is necessary to ensure that reliever airport development receives the priority funding it deserves. And we feel that we have done this without removing any opportunities for improved planning and while maintaining a streamlined grant program.

Lastly, I might add that we are fully confident that within this reliever airport funding we will be able to meet any reasonable needs for "reliever heliports." We strongly recommend that the Committee delete the provision of H.R. 2643 which would earmark funds for reliever heliports, particularly as the levels proposed are much higher than historically demonstrated needs. In fact, over the last ten years, no funds were spent on heliports and the only application made for such a project was withdrawn.

Funding for Noise Compatibility Programs

Mr. Chairman, we strongly oppose the provisions in H.R. 2643 which would earmark funds for noise compatibility programs, as that provision would tell local governments what their priorities have to be. The only item that we would earmark for particular funding preference is reliever airport development, a priority development need for the system as a whole that has been acknowledged by the entire aviation community. This type of earmarking, however, unlike earmarking for noise, does not put the Federal government in the position of telling a local government what its needs are.

As you know, our bill would retain eligibility for noise abatement projects, but we would let local governments determine their own project priorities. If a local government decides that noise abatement is a priority, it could apply for funds under our bill. However, when a large sum of money is set aside for noise projects, the project application process is distorted. The local government is encouraged to apply for these funds even if, in the estimation of that local government, noise projects are not the highest airport priority. The depth of concern over aviation noise in comparison to other airport needs varies greatly from city to city. Undoubtedly it is a major concern in some areas. We are absolutely convinced, however, that local governments are the experts on their priorities, and we oppose structuring grant programs so that the Federal government can tell a local government what its priorities are.

As to the amount of money that would be set aside for noise under H.R. 2643, our position is that any Federal funding for airport development, planning, and noise abatement must fit within the framework of a \$450 million

annual authorization. The \$406 million that your bill would set aside for noise projects from 1981-1985 represents nearly 18 percent of the total we would authorize for that period. Particularly when there are a limited number of program dollars, we firmly believe that we must allow local governments to tell us, through their grant applications, what their priorities are, so that these dollars can be used most effectively.

Ground Access

Let me briefly mention that we oppose the provision in H.R. 2643 that would allow, for the first time, construction of off-airport ground access projects with monies from the Airport and Airway Trust Fund. This proposal would establish a precedent for using Trust Fund monies for other than aviation projects. It would weaken our ability to fund aviation related development needs.

The key Federal interest in airport development is the airfield, as it is airfield projects that are related to safety. If we are to make any adjustments to the list of eligible items at all, I would prefer revisions to our bill to limit, rather than expand, the extent of eligibility for off-airfield development.

We also believe that off-airport transportation problems are a local issue. Local governments are responsible for airport location and terminal location, and should bear the related responsibility of ensuring the compatibility of airport location with local transportation systems. Further, funding for off-airport projects is an eligible item under other Federal and local programs, while funding for on-airport ground transportation is already an eligible item of airport development.

Funding for Certain Small Airports

H.R. 2643 specifies minimum funding levels for certain small airports that were eligible for air carrier funds under the expired grant program. If such airports were served by aircraft heavier than 12,500 pounds, they would have to receive a minimum of \$750,000 for the five fiscal years 1981-1985. If the airport was served only by lighter aircraft, \$250,000 would have to be funded.

Mr. Chairman, grandfathering funding rights based on previous status is not the best way to meet the airport development needs of today. We appreciate the need to provide funding for commercial service airports that are not large enough to receive a direct entitlement as primary airports. However, we believe that earmarking funds for specific small airports is not the best way to meet system needs related to such airports.

Under our proposal, the State apportionment category would be credited with funds on the basis of a two-part formula. The first part would be based on each State's area and population; the second would be based on the number of commercial service airports in the State which are not primary airports. Under this second part, each State's apportionment would be credited with \$250,000 annually for each such airport within the State. This \$250,000 per year per airport would come to \$1,250,000 per airport over five years, an amount greater than the amounts that would be earmarked under the House bill for these airports. While we would not earmark these funds for specific airports, it is clear that we would have adequate funding available to meet needs at these airports, while retaining flexibility for the FAA (or States in the case of a State block grant program) to apply the funds to priority needs.

In general, we have structured our program to provide adequate funding for small airports, and in these times when resources are scarce, we feel this type of program structure will do more to assure that priority needs are met. Accordingly, we urge the Committee to follow our approach on this point.

Other Budget Related Issues

As I noted at the outset, meeting national budgetary priorities and economic and fiscal goals are at the heart of our legislative program, and I'd like to turn now to a number of items in H.R. 2643 which are inconsistent with our efforts.

Concurrent Submission of Budget Planning Documents

This Administration prides itself on its commitment to working closely with the Congress, but we are also committed to bringing the Federal budget in line. We believe that section 5(h) of H.R. 2643 is contrary to our efforts, and we categorically oppose it.

Section 5(h) would provide that budget estimates and legislative recommendations developed by the Federal Aviation Administrator must be transmitted directly to Congress, before review by the Secretary or the President. Mr. Chairman, the American people are looking for the Federal government to get its budget in order and, in the Executive Branch, they are looking to the President to see that this job is done. Neither the Secretary of Transportation nor the Federal Aviation Administrator, no matter how

talented, has the perspective or responsibility that lies with the President on budgetary issues. All of us in the Department and throughout the Administration are committed to this principle and are working with and for the President under this concept.

This does not mean that we think aviation is unimportant or that the Congress is not entitled to the best information we can provide in this area. However, the simple fact is that the FAA does not perform its functions in isolation; it has significant dealings, for example, with the Departments of Defense, Treasury, State and Commerce. Requiring submissions of FAA budgets and legislative recommendations directly would short circuit the processes for ensuring that these documents are consistent with overall policy. If this provision were enacted, it could also cause the appearance of conflict where none may exist.

In addition, FAA's programs touch on many important policy issues such as energy consumption, economic regulation, safety regulation, and safety enforcement. National policies may require alteration of initial FAA recommendations and priorities, and we believe there are advantages to having these issues discussed within the Executive Branch before the Congress is advised of our position on aviation issues. Measuring the benefits of government programs is difficult, and we believe that the Office of the Secretary and other Executive Branch agencies contribute to the overall goal of improving the effectiveness and efficiency of government operation by reviewing FAA submissions.

Priorities for Use of the Trust Fund

Various provisions of section 5 of H.R. 2643 require actual obligations for airport grants and facilities and equipment to be all or a fixed percentage of the program authorizations to avoid an automatic reduction in Trust Fund support for operation and maintenance costs. In other words, if in the future the national interest results in a downward adjustment of capital funding levels for aviation purposes, the general taxpayers would be required to pick up the cost of the resulting reduction in Trust Fund financing for operation and maintenance purposes, plus the cost of an additional reduction which can only be described as a strong penalty.

We are committed to a balanced program of operating and capital expenditures from the Trust Fund, but we oppose these provisions on principle. We should not predetermine that any future reductions in capital funding must result in a detriment to the general taxpayers. This provision would work a greater detriment on general taxpayers than on system users, as money for capital investment that may be deferred would remain in the Trust Fund, where it is committed to use for aviation purposes.

We feel that now is the time to rid airport legislation of these restrictive provisions. We are committed to a balanced program of Trust Fund expenditures for capital and operating purposes, in the interest of both system users and general taxpayers. These restrictions are not consistent with our program and we recommend that they be deleted.

Other Budget Authority

H.R. 2643 would, through various carryover provisions, provide additional budget authority for airport grants based on authorizations from the expired program, and provide budget authority for two fiscal years beyond 1985. We oppose these provisions and recommend only the \$450 million annual authority which we have proposed.

H.R. 2643 would also authorize expenditures to reimburse certain overseas security costs incurred by U.S. airlines operating overseas in the early 1970's. Funding for this item is not in the President's budget and, as the FAA is presently reviewing data related to this issue that has been submitted by airlines, we cannot support this authorization either.

Economic Regulatory Issues

Our bill also raises a number of important economic regulatory issues, such as early sunset of the Civil Aeronautics Board and limitations on the loan guaranty program, which are very important to us. These proposals are also part of the President's efforts to reduce regulations and subsidies. I understand that the Committee does not intend to consider these items today, but I commend them to your attention and emphasize that we are available to work with you on these issues at your earliest convenience.

Other Provisions

Before closing, rather than comment on any other specific provisions, I would urge the Committee to give careful attention to our draft bill. There are a number of other differences between our bill and yours, and I am confident that our suggested language deserves the most serious consideration. My staff is available to work with the Committee staff on these items.

Summary and Conclusion

Mr. Chairman, in summary, we are strongly committed to the bill we have proposed and are convinced that it is responsive both to aviation needs and pressing economic priorities. Our bill would provide adequate funding for capital programs while restructuring Federal aviation program financing in order to provide necessary relief to the general taxpayer.

We know that you, Mr. Chairman, and the other Members of this Subcommittee are sensitive to these objectives and we look forward to working with you to ensure the enactment of airport and airway legislation that is responsive to today's needs.

That concludes my prepared statement, Mr. Chairman, and at this time I would be pleased to respond to questions.